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How to cite:

Saward, Michael (1997). In search of the hollow crown. In: Weller, Patrick; Bakvis, Herman and Rhodes, R.A.W. eds. The Hollow Crown: Countervailing trends in core executives. Basingstoke, UK: Palgrave Macmillan, pp. 16–36.

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Version: [\[not recorded\]](#)

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<http://www.palgrave.com/products/title.aspx?PID=250668>

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Michael Saward

The American political philosopher Michael Walzer echoed a widespread perception when he wrote recently that 'the state is boring these days, or it is ineffective and corrupt . . . while civil society is an exciting place'. The power of many national states is said to be leaching away from above and below. Short-term actions and long-term trends, so the refrain goes, all point to a common process — the hollowing out of the state.

How can we make sense of the idea of the 'hollow crown'? The volume as a whole identifies trends and counter-trends in five countries. This chapter is confined to interrogating the idea of hollowing out itself. While a tentative conclusion is reached — namely, that the hollowing out thesis is more credible in terms of international rather than national trends — it is recognized that the debate on the reshaping of states is still in its infancy, and other chapters take a different line. In some respects my central point concerns methodology, and specifically the conceptual frameworks that are most appropriate to the study of the state today.

What Is Hollowing Out?

This question is both unavoidable and unanswerable in the space available. I shall pass over ancient and massive controversies surrounding the question 'what is the state?', and simply posit the following points to anchor my position: the state is a more or less coherent set of institutions with unique authority to impose its will upon other institutions, groups and individuals within a defined territory. It is an institutionalized legal order consisting of the public bureaucracy and its political overseers. This view rules out definitions of the state as (a) the government only, (b) an instrument of the ruling class, and (c) a normative order (Krasner, 1984; Burnham, 1994).¹ This is important, since a hollow state would be something quite different for each definition.

Beyond the definition, my background approach to the contemporary state is built upon the following points.

- The primary brute fact about the contemporary state is the sheer complexity of its structures and functions and the issues confronting it. The modern state is a huge enterprise made up of hundreds if not

thousands of separate organizations with multiple and often confused lines of communication, cooperation and accountability. It is not an entity ultimately united by the need to perform some overriding function.

- Far from being a neutral or impartial referee between competing interests, the state is partisan towards certain particular interests within society (Parekh 1994). The object and degree of partisanship will vary from institution to institution (or policy area to policy area), and may include producer, professional or ethnic-religious interests (Lindblom, 1977; Eckstein, 1960; Habermas, 1974; Parekh, 1994). Unless momentarily or accidentally or in exceptional circumstances, the state represents no unified high ideal, and can make no consistent or large-scale claims to embody or represent 'the common good'.²
- The state has autonomy, never absolute but always present, from other social and economic interests (see Skocpol, 1985; Nordlinger, 1981). The state's informational, organizational and other resources (not least its ultimate monopoly of the use of legitimate coercion) ensure that its various institutions never entirely lack room for manoeuvre with respect to the wants of societal interests.

In sum, this broadly neo-pluralist perspective portrays the contemporary state as partisan, characterized by three interrelated dimensions of complexity (structural, functional and technical) and never entirely lacking in autonomy from societal forces.³

What Changes Occur in a Hollowing Out State?

If the state is hollowing out, what is happening to it? The idea makes most sense as a speculation about a loss of capacity at the heart of the state — in the core executive.⁴ In his article 'The Hollowing Out of the State' — an 'avowedly speculative' effort to make sense of the idea, discussed in more detail below — Rhodes writes that 'The phrase "the hollowing out of the state" suggests the British state is being eroded or eaten away' (Rhodes 1994: 138). All such labels are ambiguous, but the bottom line is that things 'erode' from the outside and 'hollow' from within, from the centre or core. Seen in this light, the hollowing out thesis is a thesis about the core executive. We need not debate tensions between the ideas of a 'hollow state' versus a 'hollow core', since the hollow state means a state with a hollow core.

What is it that is hollow about a hollow core? Does the core executive lack coherence, capacity or both? There is a strong case for saying that a loss or lack of capacity is the primary meaning. If the core is hollow but has lost no capacity, then the only sensible meaning for the hollowing out

idea can be moral (the state is not pursuing its Rawlsian agenda for social justice, failing to maximize utility, or some such). Capacity can more readily (though not easily) be explored empirically; coherence is a fuzzier notion, where explanation shades into normative concerns about 'good government' (with the theory of good government involved more often than not left implicit). Where coherence is likely to affect future capacity of a certain kind, the two shade into each other, admittedly — other chapters in this volume are not wrong to take coherence seriously, since the pursuit of coherence may represent an effort to counteract a loss of capacity — but here I will discuss hollowing out as a claim about what is happening to the capacity of the core executive in the five countries.

Explaining Shifts in Capacity

Rhodes's (1994) work has helped to clarify the concept and its referents. He identifies some key developments in British politics in the Thatcher and Major years which have had a variety of 'unintended outcomes'. On the internal or domestic front the development of a multiplicity of alternative delivery systems, particularly executive agencies (or Next Steps agencies), has resulted in the fragmentation and increased complexity of British government. The limitation of discretion for public servants through the New Public Management has raised the threat of policy 'catastrophe' (privatization and new limits on public intervention are also mentioned). Rhodes then discusses consequences of these unintended outcomes: fragmentation fosters inefficiency through the overlapping of functions and obscures lines of accountability. Complexity likewise muddies the waters of accountability. Ultimately, this loss of accountability is likely to mean a loss of political control at the centre.

I believe we can add to Rhodes' account of hollowing out in three key areas.

1. We need to consider carefully *intended* outcomes. In Britain, the 'loss' of functions to 'alternative delivery systems' (contracting out, market testing, executive agencies, etc.) was often no loss at all; the Thatcher and Major governments have positively fostered these developments, actively demonstrating core executive capacities in the process. One might reply that what was intended was lower public spending, a smaller state and a stronger role for the market mechanism within and between public institutions. Whether or not these aims were achieved, fragmentation, complexity and a loss of political control were unintended consequences. But fragmentation, complexity and less political control are characteristic of markets.

2. Rhodes adopts the normative stance of the good public administrator without defending it as the best (or at least a good) way to explain hollowing out. In a key passage, he quotes the head of the British civil service on the danger that fragmentation and so on, will lead to there being 'no real working mechanisms for policy coordination'. Future governments, particularly ones with an interventionist bent and redistributive aims, will need to be able to steer service delivery. Fragmentation and complexity will be obstacles to steering.

True as these consequences may be for the state, highlighting them is a consequence of the implicit theory of good government employed. Rhodes cites approvingly the notion that the unelected public administrator can play a role 'roughly akin to the Platonic guardian, standing for integrity and probity against partisan interest and corruption'. This approach is more about condemning what has happened rather than explaining it. It does not get to the heart of the hollowing out conjecture. That is an empirical proposition, which needs to be addressed in a more strictly explanatory framework.

What would be a better framework? I suggest we look first at the interests of those who have initiated these changes. In the 'predatory theory of rule', Levi (1981) suggests that we can explain what states do by assuming that rulers (for present purposes the core executive) seek to maximize their wealth and power. Their success in so doing depends on the nature and extent of bargaining resources they hold *vis-à-vis* their subjects. Subjects will possess an array of resources — economic, political, military — which they can use to constrain the ruler and wrest concessions.⁵

The predatory theory presents an amoral picture of ruling. That is all to the better. If the idea of the hollow state is to have real meaning it must focus on the capacity of the core to impose its will on the rest. The desirability of its being able to do so is neither here nor there; it is an important question, but a separate one that requires a separate, and appropriately grounded, analysis.

3. The 'clearer political control' which Rhodes identifies as one consequence of a sharper distinction between politics and administration in fact suggests the opposite of hollowing out in terms of diminished central capacity. This formulation does suggest that (some parts of) the core may well be strengthened by certain recent shifts in state power and functions. In addition, when discussing the major changes in the British civil service under Conservative rule, Rhodes argues that (a) public bureaucracy has become 'a patchwork quilt of organisations' (1994: 142), and (b) that 'In effect, the job of the individual civil servant is being hollowed out from above and below' (1994: 145). A hollowing out of civil service jobs does not make for a

hollow core. It, too, might strengthen the position of the core by allowing it scope to divide and rule.

In short, while hollowness may be a function of a lack of democracy, accountability and action in the 'public interest', in a more primary sense it should be seen as a thesis about core executive capacities in the contemporary state. Democracy and accountability do not necessarily serve the interests of the core. Because confused lines of accountability may foster a concentration of power at the core, we can expect rational core actors to seek them. Of course, all this remains speculative. We must turn to an examination of key trends in the countries under scrutiny to pursue matters further.

Three Hypotheses

If a 'hollowing out' state is a state with an increasingly weak core executive, three logical hypotheses follow:

1. the core executive is losing or conceding capacities to societal actors;
2. the core executive is losing or conceding its capacity to control other state actors; and
3. the core executive is losing or conceding capacities to supra-state entities.

The following sections examine these possibilities.

Down and Out: The Internal Hollowing Out of the State?

The notion that the state is hollowing out internally relates to the first two of our three hypotheses. It is suggested that either the core of the state is losing control over other societal actors and organizations, or over other parts of the state machine. This is close to what Crook, Pakulski and Waters are getting at when they refer to the transfer of functions 'downwards' and 'sideways' (the third of their possibilities is 'upwards', which I consider in the following section) as part of a broader process of 'disestatization' (1992: 80). I shall consider three general developments which are often (e.g. by Rhodes) linked to the idea that the state is hollowing out internally: privatization, decentralization and 'agencification'.

Privatization

By far the biggest and most profound privatization programme has been that of the Thatcher and Major governments in Britain.⁶ Wilks has written

that 'With plans to privatise British Rail, British Coal and the Post Office after the 1992 election there is almost literally nothing left to sell' (Wilks, 1993: 235) (though it is worth noting that the sale of the Post Office has fallen through, and that of British Rail — the 'Poll Tax on wheels' — is mired in controversy). In Britain the full gamut of motivations behind industrial privatization has been evident: ideological, economic, financial, managerial and party political (Vickers and Wright, 1988). With 16 major privatizations completed, including gas, water and electricity (Lawson, 1993), it is clear that privatization has fundamentally altered basic structures and functions of the British state.

Cataclysmic comments about the effects of privatization on the basic roles of the state may have some place in Britain, but privatization has played a significantly less prominent role in each of the other countries under study. In (West) Germany, despite strident calls by neo-liberals, backed in the party arena by the Free Democrats (FDP), there has not been an extensive privatization programme. The combination of a persisting party and national consensus about the role of the state in production, continuing *Länder* preference for maintaining public stakes in strategic industries, an overriding concern for national competitiveness, and the fact that '[a]ll those industries and corporations which are in the long run strategically important for the maintenance of key positions in world markets are privately owned' (Esser, 1988: 70–1), has rendered privatization in Germany largely 'symbolic'. The West German government between 1984 and 1987 did reduce or eliminate its stake in over 50 companies, notably ones involved in energy, chemicals and transport, but the programme overall has fallen well short of that of Britain (and indeed of France, the second major privatizer among European democracies).

Like Germany and unlike Britain, multi-party government and a more sympathetic view of the role of the state in production have limited the size, influence and fervour of the coalition of forces calling for substantial privatization in the Netherlands. Kickert (1994: 11) reports that although all four Dutch state companies have been more or less privatized — Postbank, PTT, Fishery Port Authority, Royal Mint⁷ — attention came to focus by the early 1990s on 'the increase of administrative independence for organisation units financed or controlled by government, instead of the transfer of government tasks to the market'. As Andeweg and Irwin report, slimming down the Dutch public sector means focusing on welfare provision rather than industrial privatization. There was not a great deal to privatize in the first place, and, as in West Germany, the motivations were pragmatic: 'privatisation was advocated for reasons of administrative efficiency and budgetary reduction; it was not motivated by an ideological crusade for free-market capitalism' (Andeweg and Irwin, 1993: 200).⁸

Since 1983, under the Hawke and Keating Labor governments, Australia has been involved in a large-scale programme of deregulation (notably in banking and aviation), exposing protected industries to international competition (the inside political story of which is told in Kelly, 1994). In Canada, privatization had a lesser impact, not least because there were fewer strategic industries wholly or substantially controlled by the public sector. Canadian reforms have stressed more the need to cull various advisory and regulatory boards, councils and committees.

The extent of state disengagement from direct production has differed enormously in the five countries. Among the many reasons for this, of course, is the fact that the shape, extent and motivations for privatization depend upon the extent and style of public ownership and control of important industries in the first place (see Vickers and Wright, 1988: 11). Further, the state–society balance of power in, for example, Germany and the Netherlands, has meant that rational action by core actors (as in the predatory theory) has been preservative rather than transformative. By contrast, the core executive in Britain could more readily free itself from constraints to transform production fundamentally. It is interesting that neither broad approach offers conclusive evidence of a hollowing out of the state. In the more ‘consensual’ democracies (Lijphart, 1984b), the core continues to be constrained by more restrictive constitutional structures and standard operating procedures. If *that* represents ‘hollowing out’, then it was done in the past and is not a recent development. In ‘majoritarian’ systems, privatization may *appear* to be hollowing out the state, but this trend can equally be interpreted in terms of core actors rationally reshaping the state to suit some of their primary ends (such as power, autonomy, protection from direct responsibility). Where privatization has been extensive, the pressures driving it have come from above, in the core executive or from advisory groups operating through the core executive.

In sum, privatization offers no strong evidence in favour of the hollowing out hypothesis.⁹ Indeed, we can see it as core actors flexing their political muscles. Perhaps, as Cassese has argued, privatization and deregulation ‘revitalize the center, but not the state’ (quoted in Rockman 1989). In a similar vein, Majone (1994: 79) comments that ‘... privatisation tends to strengthen, rather than weaken, the regulatory capacity of the state’.¹⁰ In other words, predatory rulers can enhance their positions by pursuing such programmes.

Decentralization

Are core institutions in the five countries losing functions to other levels of government? The evidence for this is scant; if anything, the opposite trend

has loomed larger in recent years. In Britain, a unitary state, a massive centralization of territorial power has taken place since 1979. More than 50 pieces of legislation since 1979 have fundamentally altered the role, powers and style of local government; as King argues, 'The aim of these reforms is to marginalise local government as a political institution by creating alternative local agencies to deliver policy and by denuding its representative function' (King, 1993: 194).

In the Netherlands, there has been little if any recent shift in the balance of power between the three levels of government. The powers of the much-criticized middle rung, the provinces, are limited, while the leaders of more important local government units are appointed from the centre. The vast bulk of revenue for local government comes from the centre. As Andeweg and Irwin have written, 'There is no escaping the conclusion that, relative to most other West European countries, the Dutch policy-making process is highly centralised in territorial terms' (Andeweg and Irwin, 1993: 163).

The three federal systems in the study display markedly different distributions of functions and powers between national and state governments. Australia is considerably more centralized than either Germany or Canada. Throughout much of the Commonwealth's history, the perceived need for central promotion of economic development encouraged an accretion of powers and functions at the federal level. A combination of factors, chiefly sympathetic judicial interpretation of federal powers under the Constitution, unchallenged legislation and the merely conventional status of the state Premiers' Conference, have continued to bolster central power. The persisting 'vertical fiscal imbalance', whereby 'the states lack independent revenue raising capacity adequate to fully fund their expenditure responsibilities, while the Commonwealth has access to revenues in excess of its own-purpose expenditure requirements' (Walsh, 1992: 19; see also Jaensch, 1992: 69ff.), has been especially significant in the continuity of federal power. The federal-state power imbalance looks set to persist; Keating, the then Prime Minister, largely scotched limited plans by former Prime Minister Hawke to address the fiscal imbalance (Walsh, 1992: 31; Galligan, 1992: 3). Australian federalism continues to be largely symbolic (see Lucy, 1993: 293).

Canadian federalism is far from symbolic. In part, this is a reflection of the fact that there are more centrifugal forces working at the core of Canadian government than are evident in Australia — provincial representation and subsequent log-rolling is a day-to-day reality of federal cabinet and budgetary politics (Bakvis and MacDonald, 1993). The distinctive issue of Quebec has been a key factor in curtailing central ambitions. Consider the words of Canada's Leader of the Opposition: 'Every nation has the right to self-government . . . We have no quarrel with the concept of federalism when applied to uninational states. It is a

different matter when it comes to multinational states, particularly the Canadian brand of federalism' (Bouchard, 1994). The narrow loss by Quebec separatists in the referendum of October 1995 seems unlikely to resolve these issues. Further, the Canadian Constitution guarantees powers to the provincial governments in the areas of education, health and welfare, civil law, natural resources and local government. The financing of government at all levels in Canada shows a degree of stability and persisting independence for the provinces: 'Both federal and provincial governments tax personal and corporate income and also levy general sales taxes. Both levels of government can constitutionally tap these sources, both now do so, and both are likely to continue to do so' (Bird, 1993: 486).

Germany is perhaps the most territorially decentralized of all the countries under scrutiny. The *Länder* possess considerable constitutional autonomy and a secure source of revenues under national revenue-sharing arrangements. The direct representation of the *Länder* in the federal upper house is significant since the *Bundesrat* 'has absolute veto in matters where the competences of the *Länder* are affected' (Smith, G. 1991: 49). However, the role of the *Länd* governments revolves around policy delivery and administration, not policy formulation — the latter rests with the Chancellor and federal ministers. In practice, even the potential blocking powers of the *Bundesrat* have not proven to be a major constraint on the federal government: most legislative proposals do in fact achieve *Bundesrat* approval without major difficulties (Mayntz, 1984: 161).

Schmidt argues that one of the major political consequences of unification has been the accretion of more power at the centre. The new *Bundesrat* has a majority of poorer *Länder* over richer *Länder*, is more heterogeneous economically, and is dominated by Christian Democrats. Among other factors, these developments 'will impede consensus formation among the *Länder* and weaken their position as a whole relative to that of the federal government'. This new distribution of power 'widens the room to manoeuvre available to federal government' (Schmidt, 1992: 3), especially when allied with the centralization of economic policy brought about by unification.

In all, it seems reasonable to claim that, with the possible exception of Canada, there is no discernible decentralist trend in the five countries. Thus, on the face of it, there is little evidence that the state is hollowing out in the sense that it is losing or giving up capacities to other levels of government. Where central actors have had room for manoeuvre, their strategy seems to have been to maintain or enhance the power of the centre over the periphery.

Agencification

As with the privatization programme, changes in the civil service have been most marked in Britain. Under the Next Steps programme, 60 per cent of civil servants now work to chief executives in 92 executive agencies, with 44 more activities identified as agency candidates in December 1993 (Drewry, 1994). The idea of the Next Steps programme, launched in 1988, is 'to create agencies designed to deliver services entirely separated from policy-making core departments' (Dowding, 1993: 187–8). While still formally under the umbrella of one or other government department — and therefore still in a line of ministerial accountability to parliament — pay, conditions, and operational matters are dealt with autonomously within agencies.

The Next Steps reforms, along with further plans to subject top civil service jobs to open competition, fragment and render more complex the British state. Although there is considerable scope for argument here, there is a strong case for saying that they do not amount to a hollowing out of the core. These are reforms foisted upon a sometimes reluctant bureaucracy from the very top; it is often observed that the reforms would not have been as far-reaching and radical without active prime ministerial backing. Other things being equal, it enhances the security of ministers not to be held directly or fully accountable for bureaucratic shortcomings. They can, in principle, gain a new flexibility, freedom to manoeuvre and a capacity to concentrate on selected issues, dividing and ruling large swathes of the state bureaucracy.

In the Netherlands, there are current plans to create a series of executive agencies in proposals which 'bear a remarkable resemblance to the British example' (Kickert, 1994: 3). A key difference is that the responsibility for honing and implementing the reforms lies with the Ministry of Home Affairs, which has no power to force any other government department to reform its structure (Kickert, 1994: 10). Reform is discussed in terms of locating the 'core tasks' of government and the separation of policy making and policy execution. The paradox, as Kickert points out, is that such reforms, which include reducing the number and size of departments, do not threaten to leach power away from the core; since separation of policy and execution makes policy makers more aware of execution, it 'thus seems to lead to the functional integration of policy-making and execution'.

If anything, recent reforms of the bureaucracy in Canada and Australia represent an opposite trend to the one in Britain and that mooted for the Netherlands. Reductions in cabinet size and the creation of new amalgamated departments has served in effect to enhance the capacity of core political actors to get what they want in policy terms from the bureaucracy. In Germany traditional departmental (and ministerial)

independence has persisted. None of these cases arising from the federal countries provides strong support for the hollowing out thesis (though as elsewhere countervailing trends, such as ministers becoming more involved in damage limitation when autonomous agencies get things wrong, are evident to varying degrees).

In sum, the five countries display quite different trends in terms of the organization of government departments: fragmentation on the one side, rationalization on the other. My contention is that a highly plausible interpretation, based on a realistic theory of rule, is that neither is a sign of hollowing out, even where ministers have given up day-to-day control of bureaucratic agencies. Fragmentation can be a sign of leaders in the core executive using their capacities to reshape the state to shield themselves from problems arising from operational and sometimes policy failures.

Style and Substance

My main contention is that the state is being redefined, or reshaped, not hollowed out, at least on this internal dimension. Both theoretical and empirical accounts support this preliminary conclusion. Müller and Wright (1994) are clear that changes in the instruments of policy making should not be misunderstood as shifts in the substance of policy control. Further, by pursuing strategies designed to cope with state complexity, core executive actors are using the key defining characteristic of the state — its monopoly of the legitimate use of coercion (or, more pointedly, *their* legitimate capacity to wield that monopoly) — in a more explicit and directed manner than has been evident for some time (though this is true of Britain more than the other countries).

Dunleavy's (1991) comprehensive critique and revision of public choice approaches to Western bureaucracies suggests that rational bureaucrats will prefer to shape public agencies rather than maximize their size or budgets. For a variety of rational reasons, smaller agencies may be preferred to larger, more unwieldy ones. For Richardson (1994), less government may mean strong government rather than hollowed out government. Metaphors borrowed from quite different contexts have a certain purchase on these developments; as Western economies have shifted broadly from 'Fordist standardized mass production to new manufacturing strategies that emphasise productive flexibility' (Hirst, 1994: 115), so their public sectors have been shaped in a way that might too be called 'flexible specialisation'. Clearly, harnessing specialized expertise effectively is one of the key advantages of agencification (Majone, 1994: 84); its 'flexibility' can be said to increase ministerial discretion to intervene in detailed policy matters.

These speculations can be underlined by looking briefly at the core executives in the states under study. The key questions are: has the core executive suffered a gain or a loss in its capacity to set the agenda; to make and impose decisions; and/or to coordinate the machinery of government?

The transformation of British politics and government since 1979 has occurred largely due to the force, ideological clarity and persistence of Margaret Thatcher as prime minister. She established dominance over the cabinet within two years of assuming office, involved herself more in departmental policy making than previous prime ministers, shunned compromise, and worked effectively through an inner cabinet of trusted ministerial and other colleagues both informally (as a kitchen cabinet) and formally (through cabinet committees). While substantial reductions in government spending eluded her governments, much else that she sought by way of wholesale structural and cultural change in government was achieved. She realised the potential of a powerful office in a centralized polity with few fixed rules of conduct and an undemocratic electoral system. Particularly when they operated with her full support, her ministers could achieve what in the British context were breathtaking changes in health, social services, local government, utilities and other areas.

In West Germany, the Chancellor has always played a central policy role as prescribed in the Basic Law. He is responsible for the 'general guidelines' of policy, appoints and dismisses ministers, and ministers' primary responsibility is to him and not to the *Bundestag* (Smith, 1991: 49). A key development underpinning the Chancellor's role in recent years has been the central role played by the Chancellor's Office. Especially since the rapid expansion of its role under Brandt, the Chancellor's Office has provided an effective 'reporting system' and contributed to 'an increased co-ordinating capacity' (Mayntz, 1980: 165–6). Given the weakness of cabinet committees, the Chancellor's Office has gradually become the clearing house for cabinet proposals, as well as being the Chancellor's general watchdog (Müller-Rommel, 1988: 158). Cabinet in Germany is more a rubber stamp than a decision-making body in the full sense of the phrase, although ministers can take proposals to full cabinet if they wish (Müller-Rommel, 1988: 165–6). There are, of course, constraints on the Chancellor's power. Ministerial autonomy and cabinet vetting of parliamentary proposals reinforce party and coalition constraints (Mayntz, 1980: 143–5). But German unification has enhanced the symbolic importance of the Chancellorship and seems to have bolstered the degree of policy autonomy enjoyed by Chancellor Kohl in the face of major economic and social challenges. Not least due to the widespread legitimacy of the various powers and constraints evident in the German polity, no real hollowing out of the state is evident — if anything the core executive has power increasingly concentrated within it.

In the Netherlands, the prime minister is in a considerably weaker position, but the authority accorded to highly autonomous ministers prevents this fact from representing a lack of capacity at the core. Andeweg and Irwin write that

Compared with his British, French, or even German colleagues, the Dutch Prime Minister has very few formal powers. He draws up the agenda and chairs all meetings of the Cabinet and its committees. He casts the deciding vote when there is a tie. But the Prime Minister does not appoint ministers and he cannot reshuffle, dismiss or direct them, or arbitrate between them without their agreement (Andeweg and Irwin, 1993: 123–4).

In general terms, despite high degrees of departmental and ministerial autonomy, failed efforts to operate 'inner cabinets' and problems of achieving a sufficient degree of interest aggregation in a functionally decentralized system, the multi-party nature of Dutch cabinets and the difficulties of government formation tend to mean that governments are locked into agreed roles and policies. These and other factors may not represent an obvious concentration of power in the core executive, but at the same time they provide little or no evidence of the state hollowing out.

Since 1983 in Australia, a clique of ministers, centred on Hawke and/or Keating, has achieved major economic reform by gaining effective control of core executive institutions, and through them the more distant arms of the state. In the earlier years after 1983, the use of cabinet committees, and especially the Expenditure Review Committee (ERC) (named the 'razor gang' after an earlier such committee under the Fraser Government), became 'a guillotine for the sacred cows of Labor's *ancien regime*' (Lucy, 1993: 154–5). Hawke himself described the ERC as 'the engine room of the government'. Further, Hawke made effective use of the Department of Prime Minister and Cabinet as a source of independent advice and a watchdog over other departments' plans and activities. The major structural reforms of the cabinet and the bureaucracy in 1987 seem to have further consolidated the capacity of key ministers. Devolving decision making to larger departments took pressure off the core, streamlining decision making, allowing for more effective use of cabinet committees and cabinet time (Weller, 1990: 21–2). Aucoin and Bakvis argue that the reforms fostered 'crossdepartmental loyalties to the government's overall corporate goals' (Aucoin and Bakvis, 1993: 403). They comment further that: 'The success of the Hawke (and later Keating) government in implementing its program can be attributed to the greater influence it had over the recruitment and placement of a moderately sized group of departmental secretaries and cabinet ministers who collectively had authority over the total span of government activities' (Aucoin and Bakvis, 1993: 398).

Canadian cabinets experience centrifugal forces much greater than those in Australia — 'Much as in the nineteenth century there exists in cabinet a set of norms governing the conduct of cabinet business concerning the right of ministers to be heard, if not necessarily enjoying a right of veto, when matters affecting their provinces come before cabinet' (Bakvis and MacDonald, 1993: 61). However, the 1980s and the early 1990s saw a series of reforms, major and minor, which have helped to consolidate the capacity of the prime minister and key ministers to pursue their aims. The development under Trudeau of the Prime Minister's Office, the Priorities and Planning cabinet committees and instruments for effective economic control, 'culminated under Mulroney in the hierarchical cabinet'. The Operations Committee and the Expenditure Review Committee became key tools of core capacity, particularly with regard to spending decisions. Under Trudeau and Mulroney there has evidently been an increase in prime ministerial capacity to shape the cabinet, its agencies and committees, and to select and pursue strategic issues effectively, despite provincial politics soaking up much cabinet time outside these strategic areas (Bakvis and MacDonald, 1993: 67–8).

Despite the fact that Canada possesses the most fully developed cabinet support system anywhere in terms of key central agencies, the sheer size of the cabinet — 39 under Mulroney — rendered it unwieldy (Bakvis and MacDonald, 1993: 49). Only extensive use of cabinet committees, rendering the cabinet more or less marginal in the decision-making process, made this system workable. The reforms of 1993 under Prime Minister Campbell reduced the cabinet to 25; cut down the number of cabinet committees from 11 to 5; and generally resulted in a more integrated structure with a 'reduced number of decision points in the executive system' (Aucoin and Bakvis, 1993: 412). Like the Australian reforms discussed above, these changes concentrate capacity more effectively within the core executive and enhance the capacity of the core executive over other parts of the government machine.

Across the five countries, it is at least plausible to claim that power is not leaking away from, or being given away by, the core executive. Latent and manifest capacities of prime ministers and key ministers have been activated to reorganize and rationalize in the face of structures which perhaps provided too many other potential power centres, for example within federal bureaucracies. As the predatory theory of rule predicts, core executive actors have sought to reduce the degree to which other state and non-state actors can constrain them.

Rationality and Obfuscation

I have suggested that, in the face of fragmentation and complexity, it is rational for core executive actors to reshape the state so that it better suits their own ends. A good deal of what passes for hollowing out can usefully be reinterpreted in this light. We must tread carefully around the concept of rationality. In the public administration tradition, to structure government rationally is to (among other things) maximize clear lines of accountability and responsibility. In other words, to be rational was to seek 'good government' — transparent, accountable, efficient and honest.

In political science today the concept of rationality is rightly and invariably seen in a more tough-minded, unsentimental light. To put the point bluntly, the core executive of the modern state has a much stronger interest in *perceptions* of good government than in the reality of it. We must take fully into account the myriad capacities of the core to foster the impression of commonality and even blamelessness for its partisan actions. In Habermas's (1974) terms, core executive actors often possess the means to prevent a 'rationality crisis' (the state is not doing the good things it says it is) from becoming a 'legitimation crisis' (the people perceive the lie and lose faith in the state). Comprehensive accounts of information and disinformation strategies available to state actors should leave us in little doubt about the extent to which societal perceptions of state success and failure can be manipulated by state actors (see, for example, Edelman, 1977, 1987; Nordlinger, 1981), and why it is rational for them to deploy these strategies as much as they can. Core actors can reshape the state (especially in unitary, majoritarian systems) and mould perceptions of the resulting new order, all to their benefit.

None of this is to say definitively that no form of hollowing out is occurring in some liberal democratic states. It is an argument about how trends can look different when viewed through the lens of a more tough-minded, more strictly explanatory theory. One area in which I happily concede substance to the hollowing out thesis is in the state's international context (Rhodes rightly discusses the effect of 'the Europeanisation of everything'). To show why, I turn now to the third hypothesis.

External Hollowing Out

According to Dirks in *The Hollow Crown* (1987), 'until the emergence of British colonial rule in southern India the crown was not so hollow as it has generally been made out to be' (1987: 4). Under colonial rule, the princely crown did become hollow, as indigenous political structures were 'frozen, and only the appearances of the old regime — with its vitally connected

political and social processes — were saved' (1987: 6). Does the idea of hollowing out make most sense if its cause is a layer of political institutions above and beyond the machinery of the national state?

Political scientists are accustomed to viewing national developments in isolation, as if forms of interaction between states have little impact on their internal dynamics. Burnham (1994: 6) rightly argues that: 'A major task for political science in the 1990s is to chart how changes in state form are related to intensified globalisation' (see also McGrew, 1992).¹¹

Held (1987; 1991) identifies four major 'disjunctures' between 'the formal authority of the state and the actual system of production, distribution and exchange which in many ways serves to limit the power or scope of national political authorities'. Transnational corporations erode state autonomy in that their activities are increasingly organized on a global scale, a key element in the internationalization of production. Though he is of the view that various 'predictions of the death of the nation-state are premature', Huntington records views such as Barber's that transnational corporations are 'acting and planning in terms that are far in advance of the political concepts of the nation-state', and Ball's that while the nation state 'is still rooted in archaic concepts unsympathetic to the needs of our complex world', the transnational corporation 'is a modern concept evolved to meet the needs of the modern age' (1994: 224).

The role of transnational corporations is closely linked to the internationalization of finance. The interpenetration of markets has arisen alongside the growth in the number and size of multinationals (Müller and Wright, 1994: 5). A major impact on state capacities, structures and operations arises from its lack of control over information, especially crucial in the realm of finance (Müller and Wright, 1994: 6).¹²

National boundaries are no longer so significant as boundaries of economic activity. The growth and dynamism of the international economy constrains domestic political capacity for economic control and manipulation, a development allied with the emergence of sound economic management as the primary ingredient of sound political management (Sartori, 1991). While these trends are far from uniform across the globe, and in places regional organization does afford new forms of national government leverage over economic development, they do add up to a significant erosion of state autonomy.¹³

Second, Held identifies a major disjuncture in the vast array of international regimes and organizations that have been established to manage whole areas of transnational activity and collective policy problems. To varying degrees, and in different policy areas, the World Bank and the United Nations, for example, now act as more than just a clearing house for multinational decision making, but have developed policy autonomy.

The third disjunction concerns how the development of international law challenges traditional state autonomy. Machinery now exists for the collective enforcement of international rights, most notably perhaps under the European Convention for the Protection of Human Rights and Fundamental Freedoms. Member states of the European Union have successfully been prosecuted for violating citizen rights.

Finally, Held identifies a disjuncture between the idea of the sovereign state and the existence of hegemonic powers and regional power blocs. The North Atlantic Treaty Organization (NATO) is arguably becoming an even more vital factor after the Cold War than during it, as its tentacles reach towards some of the states that were former members of the Warsaw Pact.

According to Parry, we are witnessing an expansive 'interweaving of foreign and domestic policy-making' (Parry, 1993). Of course, this is clearest for the three countries in this study which are members of the European Union, for whom European 'foreign' policy is now effectively domestic policy. As Crowe writes: 'There is now hardly an important area of national economic life . . . which has not been subject to international negotiation, legislation or at least co-ordination and co-operation in Brussels, often with administration, monitoring or enforcement also from Brussels and, even, an international court in Luxembourg' (Crowe, 1993: 176). Pinder notes that the European Union 'has the powers that a federation would require over internal and external trade; and the Maastricht treaty gives it federal powers over money' (Pinder, 1992: 419). Canada is a part of the NAFTA trading alliance, and Australia's economy has been internationalized and linked closely with its ASEAN neighbours.

In sum, evidence suggests that some national governments are — to put the point in its boldest form — becoming local governments (Dahl, 1989). In key areas of policy national governments are much more vulnerable than ever before to pressures and events beyond their immediate control. National economic planning is a task of the state of the past. While caution is in order and countervailing trends are evident (Krasner, 1994), the case that these globalizing developments represent an external hollowing out of core executive capacities remains compelling.

Hollowing and Reshaping: Combining Internal and External Views

Putting together the two threads of the discussion — the internal reshaping and the external erosion of state capacities — suggests that, to varying degrees, core executive actors in the states under scrutiny are reshaping the state in order to: (a) underscore what remains of their distinctive capacities,

(b) foster new forms of selective and flexible policy intervention, and (c) ultimately, to reinforce sources and forms of legitimacy. On the one hand, this is to emphasize the point that core executive actors must be understood as rational actors operating within various structural constraints. On the other, it is to underscore the dynamic nature of links between internal and external factors. Core executive actors today find themselves caught in a maelstrom of pressures, to which they have responded by attempting to redefine and clarify their powers just as those powers are in many respects leaching away to higher authorities and processes.

At the centre of this maelstrom are the capacities of core executive actors to adapt to the demands of a rapidly changing external environment. Political scientists whose primary concern is international relations have been prime movers in developing frameworks to analyze adaptive strategies. Rosenau (1989) argues that

an inverse relationship between internal controls and external vulnerabilities appears to have emerged as a prime parameter within which the modern state must function. And since the trend line for the future seems likely to involve an ever growing vulnerability to global events and processes, the controls exercised by the state at home appear destined to undergo a corresponding expansion (1989: 35).

To get to the heart of the matter, he says, we must view the state 'as an adaptive entity and its activities as a politics of adaptation' (1989: 37).

Of the four types of adaptive strategy available to states (acquiescent, promotive, intransigent and preservative), Rosenau suggests that 'preservative adaptation' — the effort to achieve equilibrium in the face of extensive internal and external pressures for change — is and will increasingly prove to be the global norm (1989: 42). Something of the terms of this equilibrium may be gleaned from Hirst and Thompson's (1995: 423–35) observations that national states still have crucial roles to play in an internationalized economy where 'governance' is becoming more important than 'government'. They cite, for example, the continuing pivotal role for national states as providers of coherence in links between sub-national and supra-national entities, of stability for financial markets, and more generally of the rule of law.

While dense patterns of interdependence make national states increasingly vulnerable, they bring them both new constraints and new opportunities (Parry, 1993: 145). Campanella argues that rational purposive state actors face an increasing need for 'proactive policies', which go beyond mere domestic adaptation: 'unlike adjustment or reactive policies, proactive policy-making aims not to adapt but to find a comprehensive response to a crisis' (Campanella, 1991: 497). Proactive policy making, in her view, means opening up the domestic economy to

international competitive pressures and forging alliances — often regional alliances such as the European Union and NAFTA. 'They are proactive because they are major policies made through cooperative, intra-governmental decision-making' (Campanella, 1991: 497).

Proactive policy making is used in efforts to achieve favourable economic conditions that can no longer be manipulated successfully on the domestic front alone. In this sense, the increasing regional involvement of each of the five countries can be viewed as a rational strategy in the face of limited capacity and powerful economic imperatives. But this time the strategy can plausibly be viewed as arising from the vulnerability of core executive actors due to the hollowing out of their position from 'above'.

The pursuit of proactive policies in this sense requires national state machinery capable of flexibility, decisiveness and perhaps above all of leadership. Arguably at least, it is the core executive in each of these national states which must play this role. Australian opening out to the world economy has been a product of the Hawke–Keating axis at the heart of the revitalized core executive (Kelly, 1994). Andeweg and Irwin suggest that membership of the European Union may have increased the policy autonomy of Dutch prime ministers despite the considerable domestic constraints which bound the occupants of the office: 'European integration does not necessarily weaken national executives. In the Dutch case at least, "Brussels" may have strengthened the decision-making capability of the national political system' (Andeweg and Irwin, 1993: 238).

No longer the foci of relatively independent economic policy making, core executive actors have come to play a mediating role between external forces and internal capacities to benefit from those forces. At the same time, these rational actors look to their own legitimacy, carving out for themselves a more subtle and flexible domestic role — exemplified by agencification, privatization and the 'rise of the regulatory state' — that allows them (in many though not all instances) to enhance domestic control over the remaining, and newly revised, levers of national policy making. Domestically, the evidence points to a conscious reshaping of the state rather than intended or unintended hollowing out. However, this reshaping can be seen to a significant degree as a response to a real hollowing out of core executive capacities in the face of globalizing trends.

Conclusion: Whither the Hollow Crown?

My tentative conclusion is that the evidence points to a hollowing out of core executive capacity due to globalization even while core executives actively seek to shore up their own internal power. I put this forward as a hypothesis with considerable empirical support, though countervailing

trends are evident in a number of countries. Other chapters offer more detailed and analytically localized arguments which variously support and reject this line of thinking. My second main contention has been methodological: it is more fruitful to explore the hollowing out hypothesis by regarding core executive actors as rational maximizers of their own power. They may say otherwise, but we must watch as well as listen.

Notes

1. Each of these approaches may well tell us something important about the state, but they are secondary characteristics or simplifying devices which are parasitic on the primary definition.
2. At least, not above baseline provision of law and order. This baseline is consistent with the view that above minimally essential provisions these security values are never evenly distributed. On the idea of the principled state more generally within democratic theory, see Zolo's (1992) critique of Schumpeter (1976).
3. Even recent Marxist theories of the state fit this characterization. Marxists have largely abandoned the search for *a* theory of the state (see Jessop, 1982). Some have relied more on dramatic assertion than empirical demonstration (e.g. Althusser, 1971). Poulantzas (1980) wrote of various divided fractions of capital colonizing parts of an equally fragmented state structure, with working class and other non-capitalist interests themselves represented within the state. He wrote too of the 'relative autonomy' of the modern state. Criticism of 'bourgeois' pluralists strains credulity in the face of such apparent abandonment of the overarching explanatory capacity of the Marxist framework.
4. Dunleavy and Rhodes have defined the core executive as 'all those organisations and structures which primarily serve to pull together and integrate central government policies, or act as final arbiters within the executive of conflicts between different elements of the government machine' (Dunleavy and Rhodes, 1990: 4). However, this definition assumes what needs to be demonstrated — that the core executive does what the textbooks say it should be doing. It is probably more helpful simply to define the core executive in institutional terms, and leave the flows of power to further investigation.
5. This approach is standard in historical studies of the state. See, for example, North (1986) and Rueschemeyer, Stephens and Stephens (1992).
6. The term privatization can refer to such different things as the outright sale of public sector companies, the encouragement of private sector involvement in public companies and public projects, the introduction of private sector management and operational norms to public enterprises, and so on (see Vickers and Wright, 1988: 3). I shall use the term here to refer to the selling off of public companies to the private sector.
7. In the Netherlands, a number of smaller public companies and a 23 per cent share in KLM were also sold off (Vickers and Wright, 1988: 23).
8. The persistence of the corporatist tradition in the Netherlands has played its role. It is reflected in the continuing fragmented and complex network of

advisory and other bodies in Dutch government, but also in the moderate approach to industrial privatization (see Andeweg and Irwin, 1993: 170–3).

9. As a general point, the effects of privatization, even in countries where it has been pursued successfully and extensively, should not obscure the reach of the state into the national economy. As Vickers and Wright remind us, 'The State, everywhere in Western Europe, continues massively to intervene in the economy by regulating the terms and influencing the environment of public and private industry operations in a number of ways' (see for further detail Vickers and Wright, 1988: 26–7).
10. Arguably 'regulation' should be treated separately from privatization, agencification, etc., though as a modern development in the structure and functions of the state it is closely linked with these other trends. Majone (1994: 80) writes that: '. . . neither American deregulations nor European privatizations can be interpreted as a retreat of the state, but rather as a redefinition of its functions. What is observed in practice is a redrawing of the borders of the public sphere in a way that excludes certain fields better left to private activity, while at the same time strengthening and ever expanding the state's regulatory capacity in other fields like competition or environmental or consumer protection'. It is worth noting that, in Britain at least, regulation for consumer protection (broadly conceived) serves as a direct substitute for public ownership (in the cases of gas, electricity and water). Further, regulation may not restrict ministerial influence. For example, the proposed new Environmental Agency in Britain, although nominally independent of the responsible minister, is being set up under legislation that would allow detailed direction in the area of standard setting by the Secretary of State for the Environment.
11. See Redner (1990) for an extensive effort to generate concepts which might perform this function.
12. Keohane and Nye (1994: 232) comment generally that 'integration of money markets internationally, in the context of governmental responsibility for national economies, has made government policy sensitive both to changes in interest rates by other governments and central banks, and to movements of funds by nongovernmental speculators. These sensitivities are heightened further by the expanding decision domains of transnational organisations such as multinational business firms and banks, reinforced by decreases in the cost of transnational communications' (see also Hirst, 1994: 112ff.).
13. According to Jessop (1994), 'two key transformations in advanced capitalist state during the current global economic restructuring which bear directly on the nature of economic and social policy regimes' are 'a tendential shift from a Keynesian welfare state to a Schumpeterian workfare state; and a tendential "hollowing out" of the national state'.